

**Summary of Statement of Red Cavaney
President and CEO, American Petroleum Institute
before the House Energy and Commerce
Subcommittee on Energy and Air Quality**

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- The current energy policy framework has failed U.S. consumers. The net effect of current oil and natural gas policy is to decrease reliance on U.S. production and increase dependence on foreign imports.
- Growth in U.S. energy demand continues to increase. The DOE Energy Information Administration projects that total energy consumption from 2003 to 2025 will increase by 36 percent; petroleum demand will increase by 39 percent; and natural gas demand will increase by 40 percent.
- Growing U.S. energy demand must be viewed in the context of the global energy situation. World demand for crude oil typically grows annually a bit more than 1 million barrels per day. In 2004, it grew 2.7 million barrels per day –to a point too closely approaching total worldwide production capacity. China has played a big role in the increase in world oil demand, and India will not be too far behind in the future.
- A comprehensive U.S. energy policy must recognize the growing impact of these new, major competitors for energy supply in the world. For the U.S. to secure energy for its economy, government policies must create a level playing field for U.S. companies to ensure international supply competitiveness.
- Enactment of comprehensive energy legislation will ensure diversity in energy supplies; promote energy efficiency, new technologies, conservation, and environmentally responsible production; modernize America's energy infrastructure; strengthen our economy; and create new jobs.
- The energy legislation must address a major threat to the U.S. oil and natural gas industry. Companies who used MTBE to comply with the federal reformulated gasoline (RFG) oxygen requirement are facing multi-million dollar suits brought by personal injury lawyers with claims that the additive was a defective product. Yet, use of MTBE to meet the oxygenate mandate is exactly what Congress mandated 14 years ago.
- This is, above all, an issue of fairness. Any industry that complies with Congress' clearly communicated intent to meet a societal need – in this case, clean air – should not later be victimized for doing what the government required it to do. When Congress imposed the federal RFG oxygen requirement, companies acted in good faith and heeded the federal government's call to use MTBE to enhance air quality. What we ask is that the federal government also act in good faith to protect us against lawsuits for doing what the law required us to do.
- The defective product provision would not affect, in any way, a company's legal responsibility to clean up any groundwater affected by gasoline, regardless of whether it contained oxygenates,